



National Aeronautics and
Space Administration
Washington, DC 20546

Procurement Notice

PN 04-54
November 3, 2010

FACILITIES CAPITAL COST OF MONEY

PURPOSE: To delete section, 1815.404-471-5 that requires the use of a cost of money (COM) offset (reduction) in developing a profit/fee objective, and in computing profit/fee via NASA's structured fee approach for profit or fee objective (NASA Form 634).

BACKGROUND: The FAR requires that Federal Agencies exclude any COM included in the cost objective base amounts before applying the profit/fee percentage or factors from any structured fee approach. NASA Form (NF) 634 fulfills this requirement. However, the NFS and the NF 634 further requires utilization of a COM offset procedure that further reduces the computed profit/fee. This COM offset is the equivalent of either the proposed COM amount or 1 percent of the cost objective base amount, whichever is less, which is then subtracted from the calculated objective profit/fee amount. As required by the FAR, the calculated objective profit/fee amount is computed without COM included in the cost objective base amount. Consequently, the offset has the effect of selectively reducing profit/fee for contractors that include COM in their accounting structure. This practice is no longer considered necessary for NASA. Therefore, this PN deletes the COM offset requirement from the NFS and revises the NF 634 accordingly. The revised NF 634 can be found at URL:
http://prod.nais.nasa.gov/portals/pl/cost_price_audit.html.

ACQUISITIONS AFFECTED BY CHANGES: This requirement is applicable to all acquisitions issued after the effective date of this PN that require the use of the NF 634.

ACTION REQUIRED BY CONTRACTING OFFICERS: Ensure compliance with policy change set forth in this PN.

CLAUSE CHANGES: None.

PARTS AFFECTED: Part 1815.

REPLACEMENT PAGES: You may use the enclosed pages to replace 15:1, 15:2, 15:27, and 15:28 of the NFS.

TYPE OF RULE AND PUBLICATION DATE: These changes do not have a significant affect beyond the internal operating procedures of NASA and do not have a significant cost or administrative impact on contractors or offerors, and therefore do not require codification in the Code of Federal Regulations (CFR) or publication for public comment.

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Enclosures

DISTRIBUTION LIST:
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PART 1815
CONTRACTING BY NEGOTIATION

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- (i) Is based on the time necessary for the contractor to complete the substantive portion of the work;
 - (ii) Is not necessarily the period of time between contract award and final delivery, as periods of minimal effort should be excluded;
 - (iii) Should not include periods of performance contained in option provisions when calculating the objective for the base period; and
 - (iv) Should not, for multiyear contracts, include periods of performance beyond that required to complete the initial year's requirements.
- (2) The contracting officer –
- (i) Should use the following to select the contract length factor:

Period to perform substantive portion (in months)	Contract length factor
21 or less40
22 to 2765
28 to 3390
34 to 39 ...	1.15
40 or more ...	1.40

- (ii) Should develop a weighted average contract length when the contract has multiple deliveries; and
 - (iii) May use sampling techniques provided they produce a representative result.
- (3) *Example:* A prospective contract has a performance period of 40 months with end items being delivered in the 34th, 36th, 38th and 40th months of the contract. The average period is 37 months and the contract length factor is 1.15.

1815.404-471-4 Other considerations.

- (a) Other Considerations may be included by the contracting officer to account for special circumstances, such as contractor efficiencies or unusual acceptance of contractual or program risks that are not adequately addressed in the structured approach calculations described in 1815.404-471-2 or 1815.404-471-3. The total adjustment resulting from Other Considerations may be positive or negative but in no case should the total adjustment exceed +/-5 percent.
- (b) The contracting officer shall analyze and verify information provided by the contractor that demonstrates that the special circumstances being recognized under this section –
 - (1) Provide substantial benefits to the Government under the contract and/or overall program;
 - (2) Have not been recognized in the structured approach calculations; and
 - (3) Represent unusual and innovative actions or acceptance of risk by the contractor.
- (c) Examples of special circumstances include, but are not limited to the following:
 - (1) Consistent demonstration by the contractor of excellent past performance within the last three years, with a special emphasis on excellence in safety, may merit an upward adjustment of as much as 1 percent. Similarly, an assessment of poor past performance, especially in the area of safety, may merit a downward adjustment of as much -1 percent. This consideration is especially important when negotiating modifications or changes to an ongoing contract.
 - (2) Extraordinary steps to achieve the Government's socio-economic goals, environmental goals, and public policy goals established by law or regulation that are sufficiently unique or unusual may merit an upward adjustment of as much as .5 percent. Similarly, for non-participation in or violation of Federal programs, the contracting officer may adjust the objective by as much as -.5 percent. However, this consideration does not apply to the utilization of small

disadvantaged businesses. Incentives for use of these firms may only be structured according to FAR 19.1203 and 19.1204(c).

(3) Consideration of up to 1 percent should be given when contract performance requires the expenditure of significant corporate capital resources.

(4) Unusual requests for use of government facilities and property may merit a downward adjustment of as much as - 1 percent.

(5) Cost efficiencies arising from innovative product design, process improvements, or integration of a life cycle cost approach for the design and development of systems that minimize maintenance and operations costs, that have not been recognized in Performance Risk or Contract Type Risk, may merit an upward adjustment. This factor is intended to recognize and reward improvements resulting from better ideas and management that will benefit the Government in the contract and/or program.

(d) Other considerations need not be limited to situations that increase profit/fee levels. A negative consideration may be appropriate when there is a significant expectation of near-term spin-off benefits as a direct result of the contract.

1815.404-471-6 Modification to structured profit/fee approach for nonprofit organizations.

(a) The structured approach was designed for determining profit or fee objectives for commercial organizations. However, the structured approach must be used as a basis for arriving at profit/fee objectives for nonprofit organizations (FAR Subpart 31.7), excluding educational institutions (FAR Subpart 31.3), in accordance with paragraph (b) of this section. It is NASA policy not to pay profit or fee on contracts with educational institutions.

(b) For contracts with nonprofit organizations under which profit or fee is involved, an adjustment of up to 3 percent of the costs in Block 13 of NASA Form 634 must be subtracted from the total profit/fee objective. In developing this adjustment, it is necessary to consider the following factors:

- (1) Tax position benefits;
- (2) Granting of financing through letters of credit;
- (3) Facility requirements of the nonprofit organization; and
- (4) Other pertinent factors that may work to either the advantage or disadvantage of the contractor in its position as a nonprofit organization.

1815.404-472 Payment of profit or fee under letter contracts.